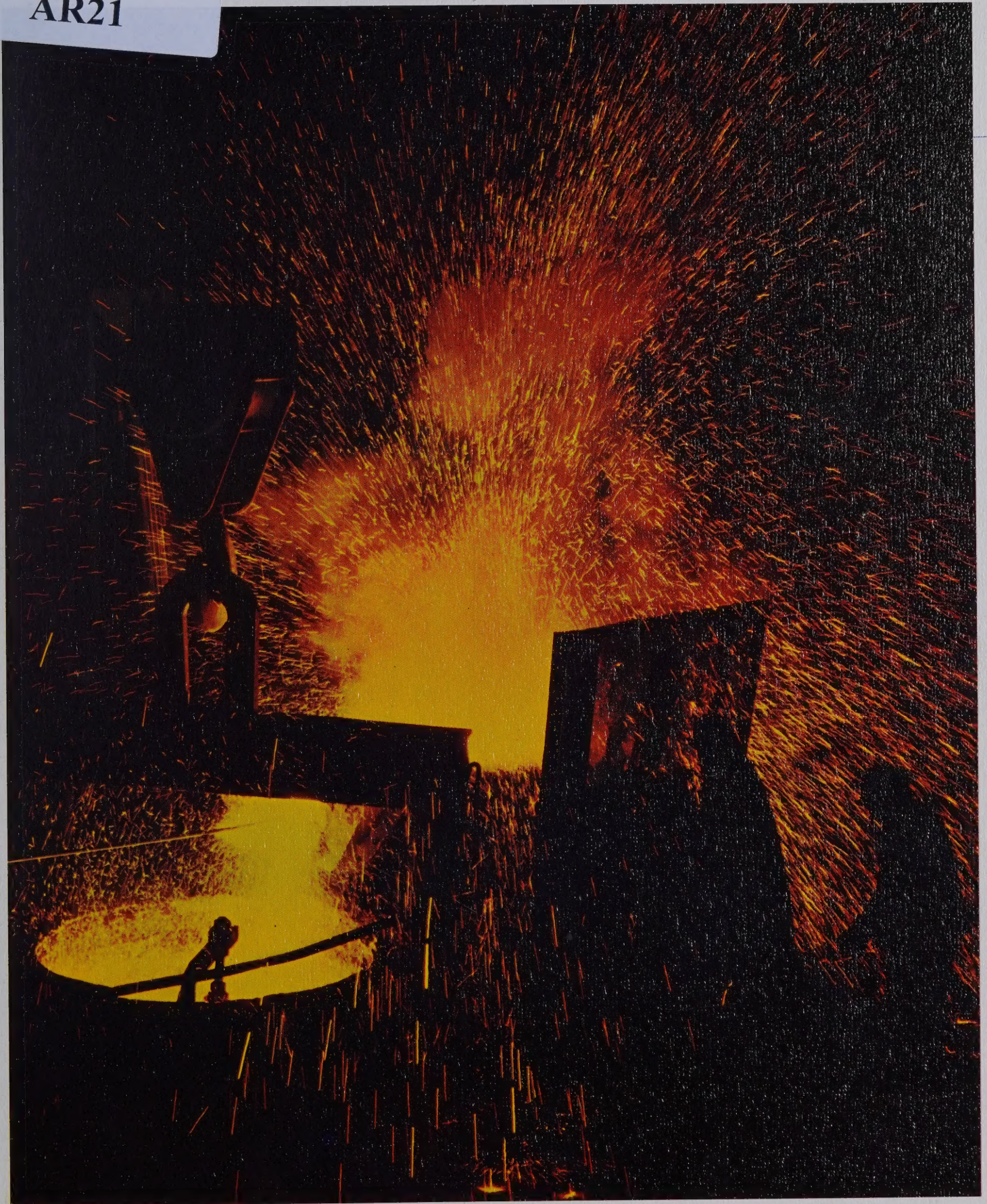


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Annual Report 1968 / Slater Steel Industries Limited

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SLATER STEEL INDUSTRIES LIMITED

Annual Report 1968

For the year ended October 31

Directors

*R. W. Cooper	Burlington
Harvey Fingold	Toronto
*Samuel Fingold	Toronto
*H. Owen Jones	Toronto
*R. A. Kingston, Q.C.	Toronto
H. H. Leather	Hamilton
D. H. Ward	Toronto
*L. N. Watt	Port Credit

*Members of Executive Committee

Executive Officers

Samuel Fingold	Chairman of the Board
L. N. Watt	Vice-Chairman of the Board
H. Owen Jones	President and General Manager
R. A. Kingston, Q.C.	Secretary
R. B. Wilson, C.A., R.I.A.	Treasurer
D. W. Albright, C.A., B. Admin.	Comptroller
David B. Fingold	Assistant Secretary

Operating Companies and other Executives

BURLINGTON STEEL COMPANY (Rolling Mill Division)

T. Bell	Vice-President — Manufacturing
A. G. McDonald	Vice-President — Sales

N. SLATER COMPANY (Pole Line Hardware Division)

R. G. Baird, P.Eng.	Vice-President — Manufacturing and Engineering
D. F. Grant	Vice-President — Sales

STAMPED & ENAMELLED WARE (Enamelling and Plumbingware Division)

M. M. Reagan, P.Eng.	Vice-President
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Registrar and Transfer Agents

Montreal Trust Company
Montreal, Toronto, Winnipeg and Vancouver

Auditors

Thorne, Gunn, Helliwell & Christenson

SLATER STEEL INDUSTRIES LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Take notice that the annual meeting of the shareholders of Slater Steel Industries Limited will be held in the Victoria-Albert Room at the Holiday Inn of Hamilton, 150 King Street East, Hamilton, Ontario on Thursday, the 25th day of January, 1968 at the hour of 11:00 o'clock in the forenoon (Eastern Standard Time) for the purpose of:—

1. Receiving the Annual Report, including the consolidated financial statements for the year ended October 31, 1967 and the report of the Auditors.
2. Electing Directors.
3. Appointing Auditors and authorizing the Directors to fix their remuneration.
4. Transacting such other business as may properly come before the meeting or any adjournment thereof.

A copy of the Annual Report accompanies this notice.

Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of instrument of proxy and return it to the Secretary of the Company in the enclosed envelope.

Dated this 9th day of January, 1968.

By Order of the Board
R. A. Kingston
Secretary

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies by the Management of Slater Steel Industries Limited (hereinafter sometimes called the "Company") for use at the Annual Meeting of Shareholders of the Company to be held on January 25, 1968 for the purposes set forth in the above Notice of Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally or by telephone by regular employees of the Company. The cost of solicitation will be borne by the Company.

VOTING OF SHARES AND PRINCIPAL HOLDERS THEREOF

The holders of common shares of record at the time of the meeting or any adjournment thereof are entitled to vote such shares at the meeting. There are, 2,459,844 Common Shares of the Company issued and outstanding. Each share carries one vote.

	Approximate Number of Equity Shares Beneficially Owned	Percentage of Outstanding Equity Shares Represented
Samuel Fingold	605,764	24.6

ELECTION OF DIRECTORS

The enclosed instrument of proxy will be voted for the following proposed nominees (or for substitute nominees in the event of contingencies not known at present) who will serve until the next annual meeting of shareholders or, subject to the Company's by-laws, until their successors are appointed or unless their offices are earlier vacated in accordance with such by-laws.

	First year became a director (1) and (2)	Common Shares of the Company owned beneficially as of December 15, 1967	Common Shares of Canadian Foundation Company Ltd. owned beneficially as of December 15, 1967
*R. W. COOPER President, Cooper Construction Company Limited (Industrial, Commercial & Institutional Construction)	1962	60,000	187
E. L. DONEGAN Member, Blake, Cassels & Graydon (Barristers & Solicitors)	—	—	—
HARVEY FINGOLD President, Construction Equipment Company Ltd. (Equipment Rentals) (3)	1963	42,949	10
*SAMUEL FINGOLD Chairman of the Board of the Company (4)	1962	605,764	2
*H. OWEN JONES President of the Company	1962	7,550	2
*R. A. KINGSTON, Q.C. A Senior Partner, Blake, Cassels & Graydon (Barristers & Solicitors) Secretary of the Company	1962	1,003	2
H. H. LEATHER Gentleman (5)	1962	1,080	44
D. H. WARD President, Dominion Securities Corporation Limited (Investment Dealers) (6)	—	—	—
*L. N. WATT President, Fiscal Consultants Canada Limited (Investments & Finance) (7)	1962	7,180	2,252

*Member of Executive Committee of the Company

- NOTE
1. Slater Steel Industries Limited was incorporated on February 22, 1962 on the amalgamation of Slater Industries Limited and Burlington Steel Company, Limited.
 2. Each proposed nominee who is stated to have first become a director in a specified year has served continuously as a director from the year indicated.
 3. Mr. H. Fingold was Vice President Finance, Foundation Company of Canada Limited from November 1962 to October 1963 and Vice President, Foundation Company of Canada Limited from October 1965 to date. He has held his present position as President and General Manager, Construction Equipment Company Ltd. since October 1963.
 4. Mr. S. Fingold's associates own 232,662 Common Shares of the Company; Mrs. Sidney Fingold is the principal such associate. Mr. S. Fingold's associates own 1,038,525 Common Shares of Canadian Foundation Company Ltd.; Slater Steel Industries Limited is the principal such associate. Mr. S. Fingold has held the office of the Chairman of the Board of Canadian Foundation Company Ltd. since April 1963 and Chairman of the Board of Salada Foods Ltd since February 1967.
 5. Prior to June 1967, Mr. H. H. Leather was Chairman of the Board, Leather Cartage Limited and held this office for more than 5 years.
 6. Mr. D. H. Ward was Vice President, Dominion Securities Corporation Limited.
 7. Mr. L. N. Watt is also Vice Chairman of the Board of the Company and has held this office for more than 5 years.

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid or payable by the Company to the Directors and Senior Officers of the Company during the Company's last completed financial year ended October 31, 1967 amounted to \$208,383.

The aggregate direct remuneration paid or payable by Canadian Foundation Company Ltd. (a subsidiary of the Company) and its subsidiaries to the directors and senior officers of the Company during the subsidiaries' last financial year amounted to \$82,050.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy for the re-appointment of Messrs. Thorne, Gunn, Helliwell & Christenson, the present auditors, as Auditors of the Company.

VOTING OF PROXIES

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND VOTE FOR HIM AND ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES OR MAY SUBMIT ANOTHER APPROPRIATE PROXY.

The shares represented by the proxy will be voted.

The form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and any other matters which may properly come before the meeting.

The shareholder executing the accompanying proxy instrument has the power to revoke it at any time insofar as it has not been exercised. The directors have fixed 48 hours preceding the meeting before which time instruments of proxy to be used at the meeting must be deposited with the Company.

GENERAL

Information contained herein is given as of December 15, 1967. The Management knows of no matters to come before the annual general meeting of shareholders other than the matters referred to in the notice of meeting. Receipt at such meeting of reports of the directors and auditors and the Company's financial statements for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgement of the person voting it.

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About Our Cover —

"Sparkle of Steel", a picture of our "A" Furnace at Burlington Steel Company, is a prize winning photograph by Tom Bochsler of Hamilton.

Highlights	1968	1967
Sales	\$26,796,965	\$26,723,744
Net Income	\$ 4,118,021	\$ 3,582,144
Per Common Share	\$1.45	\$1.23
Dividends Declared		
Preference Shares	\$ 545,460	\$ 556,318
Common Shares	\$ 1,475,906	\$ 1,475,659
Total Dividends	\$ 2,021,366	\$ 2,031,977
Per Common Share	60¢	60¢
Fixed Asset Expenditures (net)	\$ 2,155,088	\$ 2,581,367
Depreciation	\$ 827,536	\$ 763,255
Number of employees at year end	1,232	1,141
Number of shareholders at year end	7,539	7,786

Directors' Report

To The Shareholders of Slater Steel Industries Limited

Your Directors have pleasure in submitting herewith the Annual Report of your Company for the year ended October 31st, 1968 together with the Consolidated Balance Sheet and related Financial Statements. The report of our auditors is given on page seven.

We have included in this annual report, the Consolidated Financial Statements of Salada Foods Ltd for their fiscal year which ended September 30th, 1968 with their auditors' report thereon.

EARNINGS

The consolidated sales of our Company, which exclude those of Salada Foods Ltd, amounted to \$26,796,965 (compared with \$26,723,744 in 1967). The Consolidated Statement of Income includes our equity in the income of Canadian Foundation Company Ltd. up to September 6th, 1968 (the date on which we sold our Common shares in Canadian Foundation Company Ltd.). Slater's 50% equity in the net earnings from the operations of Salada Foods Ltd is also included in the Statement of Income.

Net income for the year after all charges, but before the gain on the sale of Canadian Foundation Company Ltd. shares and before our equity in the net non-operating gains of Salada Foods Ltd amounted to \$3,418,244 (compared with \$3,319,669 in 1967) and after including such gains \$4,118,021 (compared with \$3,582,144 in 1967).

After payment of Preference share dividends of \$545,460, earnings of our Company amounted to \$1.17 per Common share (compared with \$1.12 in 1967) before the special items and \$1.45 (compared with \$1.23 in 1967) after including such special items.

Common shares outstanding on October 31st, 1968 amounted to 2,459,844 shares, unchanged from the previous year.

OPERATIONS

Burlington Steel Company

This Division of our Company experienced a difficult but encouraging year when taking into account the start-up problems encountered from the 40-ton electric melt furnace and the delayed completion of our Concast unit (due to the 1967 construction industry strike). It is, therefore, gratifying to advise that two new records were established during the year, the first by our Melt Shop which produced 145,759 tons of billets and ingots, and the second in tonnage shipped, which totalled 133,767 tons, up approximately 6½% over the previous year. Lower selling prices necessarily undertaken to meet competition restricted the sales revenue and affected

the income of the Company, as did increased labour and power costs not offset by increased mill productivity.

We are pleased to advise that our electric melt furnaces and Concast unit achieved remarkable production progress in the final quarter of the year, and that we expect further improvements from these units in the future.

We anticipate a good demand for our steel bar products throughout 1969.

N. Slater Company

The design and manufacture of pole line hardware continues to be the principal activity of this Division. The extensive product line which is manufactured from our design and exclusive licensing agreements on patented specialties continue to make it possible for us to retain our position as the leading supplier of this product in Canada. Recent major contracts received for the engineering and supply of hardware on the Direct Current Transmission Line from Kettle Rapids on the Nelson River south to Winnipeg has provided a substantial increase in our year-end backlog of business when compared with previous year-end figures.

Page twelve of this report views some of the elaborate facilities required for the testing of hardware being developed for Canada's first direct current line.

The production and sale of custom aluminum castings, forgings and stampings continued at a steady level throughout the current year, and an increased volume is projected for the future.

To achieve our position as Canada's leading manufacturer of pole line hardware, and to provide maximum service to the communication and utility industries, we have, for many years, expended substantial sums on exclusive licensing agreements for the manufacture and sale of patented specialties. Litigation has been undertaken to protect Slater's interests.

Stamped & Enamelled Ware

One of our customers installed its own facilities to fabricate and enamel appliance parts formerly purchased from this Division; however, a favourable volume of Plumbingware and other custom work was obtained, permitting us to maintain an encouraging sales and income result for the year.

Housing starts reached reasonable levels throughout the past year, with an increase being projected by the industry for the coming year. Efforts to diversify within the manufacturing capacities of this plant are continuing, and this Division should be able to provide a worthwhile contribution to Slater Steel's income results.

SALADA FOODS LTD

The financial statements of this Company for the year ended September 30th, 1968 are included in this report.

Consolidated sales for the year totalled \$81,740,645 off 4.4% from last year. This was due largely to the fact that during the year the Company sold its shares of Clearbrook Frozen Foods Ltd. and Plant Industries, Inc. as a continuation of its announced policy of disposing of segments of the business which have proven unprofitable, do not promise future profitable growth, or do not complement its primary function. In addition, during the year the Company, pursuant to a previous commitment to the Government of Jamaica, sold 50% of its interest in the Jamaica subsidiary to the public in Jamaica and, therefore, the sales from this subsidiary have not been included in the consolidated sales figures.

Salada's after tax earnings from operations of \$2,470,071 or 3.1% to sales were \$183,100 ahead of last year's figure of \$2,286,971 or 2.6% to sales. This improvement was accomplished in spite of tax increases and rising costs for materials, labour and services. Earnings from operations on a per share basis of 93.1¢ were 8% ahead of last year's figure of 86.3¢ per share. Net capital gains of \$477,276 increased the net per share earnings to \$1.11.

Salada's President has advised that during fiscal 1968, all divisions of the company made significant strides in its programme of sound aggressive growth in both sales and profits through an integrated programme of management development, product improvement and new product introductions. Packages for some of the company's established products were modified to improve their appeal and new products were successfully placed into the market, all designed to further stimulate consumer

purchases and to build consumer preference and loyalty for the various brands sold by the company. New retail bakery outlets were opened and some existing ones were renovated to better present the fine quality bakery and delicatessen products offered under the Hunt's, Woman's and Fenton's brand names.

Some of Salada's products are shown on the inside back cover of this report.

DIVIDENDS

Dividends paid on the 5½% Cumulative Redeemable Preference Shares \$1.10 Series amounted to \$101,342; on the 5½% Cumulative Redeemable Preference Shares \$1.10 Second Series \$207,710; and on the 6% Cumulative Redeemable Preference Shares \$1.20 Series amounted to \$236,408, making a total disbursement of \$545,460 for the Preference share dividends.

Four regular quarterly dividends of 15¢ per share on the Common shares were paid during the year, amounting to \$1,475,906.

GENERAL

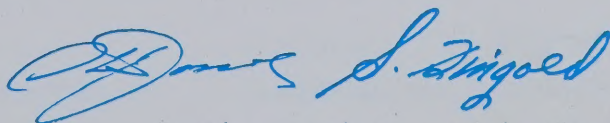
The Company's interim report dated September 9th, 1968 advised our shareholders that your Directors had sold our 85% Common share interest in Canadian Foundation for \$9,444,445. As a result of this transaction, the cash position of the Company has been substantially improved.

Your Directors are pleased with the results for 1968, which included a further increase in earnings per Common share, in addition to improvements in the Company's cash and working capital position. We look forward to 1969 with optimism and confidence.

PERSONNEL

Your Directors recognize and appreciate the loyal and special efforts put forth by our employees, and wish to express to them our sincere thanks. We look forward to their continued support and success.

On behalf of the Board of Directors,



President Chairman of the Board

January 27, 1969.

SLATER STEEL INDUSTRIES LIMITED

(Incorporated under the laws of Ontario) and consolidated subsidiary company

Consolidated Balance Sheet as at October 31, 1968

(with comparative figures at October 31, 1967)

Assets	1968	1967
<i>Current Assets</i>		
Cash	\$ 510,146	\$ 2,043
Accounts receivable	3,657,955	4,228,505
Inventories of raw materials, work in process and finished goods at the lower of cost and net realizable value	5,034,743	5,856,284
Prepaid expenses	275,768	164,168
Special refundable tax	117,123	110,325*
	<u>9,595,735</u>	<u>10,361,325</u>
 <i>Shares in Canadian Foundation Company Ltd. (note 2)</i>	 <u>1,869,480</u>	 <u>10,582,568</u>
 <i>Shares in Salada Foods Ltd at cost plus equity in earnings since acquisition of shares (note 3)</i>	 <u>17,425,539</u>	 <u>16,482,494</u>
 <i>Fixed Assets (note 4)</i>		
Land	570,677	570,677
Buildings, machinery and equipment	22,515,357	20,542,153
Less accumulated depreciation	8,712,473	8,066,821
	<u>13,802,884</u>	<u>12,475,332</u>
	<u>14,373,561</u>	<u>13,046,009</u>
 <i>Unamortized Debt Issue Expense</i>	 <u>104,174</u>	 <u>111,244</u>
	<u><u>\$43,368,489</u></u>	<u><u>\$50,583,640</u></u>

*Reclassified for comparative purposes

Liabilities

1968

1967

Current Liabilities

Bank advances	—	\$ 1,457,887
Accounts payable and accrued liabilities	\$ 2,374,658	2,755,591
Income taxes payable	288,731	293,479
Debenture sinking fund payments due within one year	172,719	252,719
Dividends payable	503,888	507,307
	<u>3,339,996</u>	<u>5,266,983</u>

Long Term Debt

Sinking fund debentures (note 5)	6,709,687	7,062,406
Notes payable to bank	—	6,732,000
	<u>6,709,687</u>	<u>13,794,406</u>

<i>Deferred Income Taxes</i> (note 6)	<u>1,359,800</u>	<u>1,425,800</u>
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Shareholders' Equity

Capital stock		
Preference shares		
Authorized — 471,115 shares (1967 — 482,820 shares)		
of \$20 each, issuable in series		
Outstanding (note 7)	9,422,300	9,656,400
Common shares (note 8)		
Authorized — 4,000,000 shares without par value		
Outstanding — 2,459,844 shares	11,387,002	11,387,002
Excess of appraised value of fixed assets over net book value, as reduced	783,826	939,124
Retained earnings (note 9)	10,365,878	8,113,925
	<u>31,959,006</u>	<u>30,096,451</u>
On behalf of the Board:		
S. FINGOLD Director	\$43,368,489	\$50,583,640
H. OWEN JONES Director		

SLATER STEEL INDUSTRIES LIMITED

Consolidated Statement of Income

Year ended October 31, 1968 (with comparative figures for 1967)

	1968	1967
Net sales	\$26,796,965	\$26,723,744
Costs and operating expenses other than depreciation	22,488,648	21,977,097
Depreciation	827,536	763,255
Interest on long term debt and amortization of debt issue expense	868,074	531,210
	<u>24,184,258</u>	<u>23,271,562</u>
	2,612,707	3,452,182
Equity in net income of Canadian Foundation Company Ltd. (note 2)	553,834	561,229
Equity in earnings from operations of Salada Foods Ltd (note 3)	1,235,035	797,882
Other investment income	7,668	89,376
	<u>4,409,244</u>	<u>4,900,669</u>
Income taxes (note 6)	991,000	1,581,000
Income before undernoted items	3,418,244	3,319,669
Gain on sale of shares of Canadian Foundation Company Ltd. (note 2)	461,139	—
Equity in non-operating gains of Salada Foods Ltd (note 3)	238,638	262,475
Net income	<u>\$ 4,118,021</u>	<u>\$ 3,582,144</u>

Consolidated Statement of Retained Earnings

Year ended October 31, 1968 (with comparative figures for 1967)

	1968	1967
Balance at beginning of year	\$ 8,113,925	\$ 6,408,460
Net income for the year	4,118,021	3,582,144
Amount realized through depreciation provision for the year transferred from excess of appraised value of fixed assets over net book value	<u>155,298</u>	<u>155,298</u>
	12,387,244	10,145,902
Deduct		
Dividends		
Preference shares	545,460	556,318
Common shares	<u>1,475,906</u>	<u>1,475,659</u>
	2,021,366	2,031,977
Balance at end of year	<u>\$10,365,878</u>	<u>\$ 8,113,925</u>

Consolidated Statement of Source and Use of Funds

Year ended October 31, 1968 (with comparative figures for 1967)

	1968	1967
<i>Source of funds</i>		
Net income	\$ 4,118,021	\$ 3,582,144
Add (deduct) non-cash items		
Depreciation	827,536	763,255
Deferred income taxes	(66,000)	38,000
Amortization of debt issue expense	7,070	7,070
Increase in equity of Canadian Foundation Company Ltd. in excess of dividends received (note 2)	(252,531)	(209,345)
Increase in equity of Salada Foods Ltd in excess of dividends received (note 3)	(943,045)	(727,459)
	<u>3,691,051</u>	<u>3,453,665</u>
Issue of common shares	—	12,950
Decrease in other assets	—	8,000
Long term bank borrowing	—	6,732,000
Proceeds from sale of common shares of Canadian Foundation Company Ltd. less gain on sale included in statement of income	8,965,619	—
	<u>12,656,670</u>	<u>10,206,615</u>
<i>Use of funds</i>		
Net additions to fixed assets	2,155,088	2,581,367
Reduction in non-current portion of long term debt	7,084,719	352,719
Preference shares purchased for cancellation	234,100	153,500
Dividends	2,021,366	2,031,977
Investment in Salada Foods Ltd	—	8,752,446
Special refundable tax	—	— *
	<u>11,495,273</u>	<u>13,872,009</u>
<i>Increase (decrease) in working capital</i>	<u>\$ 1,161,397</u>	<u>\$ (3,665,394)</u>

*Reclassified in working capital for comparative purposes.

Auditors' Report

To the Shareholders of Slater Steel Industries Limited

We have examined the consolidated balance sheet of Slater Steel Industries Limited and consolidated subsidiary company as at October 31, 1968 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present

fairly the financial position of the companies as at October 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Toronto, Canada
November 29, 1968
Chartered Accountants

SLATER STEEL INDUSTRIES LIMITED

Notes to Consolidated Financial Statements

October 31, 1968

1. Companies Included

The consolidated financial statements include the accounts of Slater Steel Industries Limited and its wholly owned subsidiary

company, N. Slater Company, Limited.

2. Shares in Canadian Foundation Company Ltd.

The company's investment in Canadian Foundation Company Ltd. at October 31, 1967, consisting of 85% of the common shares and 43% of the 6% preferred shares of \$20 par value of that company, was carried in the company's balance sheet at that date at the company's equity in the underlying net assets in the amount of \$10,582,568. On September 6, 1968 the company sold all of the common shares for \$9,426,758 and the purchaser has undertaken to purchase the preferred shares in periodic amounts over a maximum of 13 years at \$15 per share. The preferred shares are carried in the balance sheet at October 31, 1968 at the agreed sale price of \$15 per share for a total of \$1,869,480. The company's equity of \$553,834 (based on unaudited financial statements) in the net income of

Canadian Foundation Company Ltd. to the date of the sale of the common shares, and the gain of \$461,139 realized on the sale of such shares, after assigning a value of \$15 per share to preferred shares are included in the company's net income for the year.

Foundation has contingent liabilities respecting litigation in progress from time to time involving substantial amounts, the results of which are uncertain. Under the terms of the sale agreement, the sale price of the Foundation shares may be reduced, in certain circumstances, by a portion of amounts payable in respect of certain litigation in progress at the time of sale.

3. Shares in Salada Foods Ltd

The company's investment, consisting of a 50% interest in Salada Foods Ltd, is stated in the balance sheet at cost plus the company's equity in the net earnings of Salada Foods Ltd since acquisition of the shares. The quoted market value of these shares of \$16,900,000 is not necessarily indicative of the

amount which would be realized if they were to be sold. Separate financial statements of Salada Foods Ltd for its year ended September 30, 1968, together with the report of its auditors, accompany these financial statements.

4. Fixed Assets

The book value of the land, buildings, machinery and equipment of Burlington Steel Company Division was increased by \$3,105,967 to reflect the depreciated replacement value ap-

praised by Warnock Hersey Appraisal Company Ltd., on August 22, 1961. All other fixed assets, including subsequent additions to the Burlington plant, are included at cost.

5. Sinking Fund Debentures

Due Date	Annual Sinking Fund Requirement	Outstanding at October 31,	
		1968	1967
6% Series A, January 1, 1982	\$100,000	\$1,800,000	\$1,900,000
6¼% Series B, February 15, 1983	80,000	1,520,000	1,680,000
5¾% Series C, February 15, 1983 (U.S. \$1,200,000)	U.S. 60,000	1,293,750	1,358,438
5½% Series D, May 15, 1984 (U.S. \$2,100,000)	U.S. 100,000	2,268,656	2,376,687
		6,882,406	7,315,125
Less sinking fund payments due within one year, included in current liabilities		172,719	252,719
		<u>\$6,709,687</u>	<u>\$7,062,406</u>

6. Income Taxes

It is the companies' present practice to record in the accounts the reduced amounts payable for income taxes which result from claiming at normal rates capital cost allowances in excess of depreciation and amortization charges to income. As a result, income taxes for the 1968 year have been reduced and net

income increased by \$336,000 (1967, \$268,000); the accumulated amount of such reductions to October 31, 1968 is \$1,211,500.

The companies also have claimed additional capital cost allowances under tax incentive legislation as a result of which

income taxes actually payable for past years were less than the amounts provided in the accounts based on normal rates of capital cost allowances. These reductions which were reduced by \$66,000 in 1968 (increased by \$38,000 in 1967) have been included in the balance sheet in the item "Deferred income taxes".

Prior to the establishment of the practices referred to above, income taxes were provided in respect of the income reflected in the accounts. The reduction in tax, due to claiming capital cost allowances in excess of the amounts charged to income in that period, amounting to \$437,800, is also included in the balance sheet in the item "Deferred income taxes".

7. Preference Shares

<u>Outstanding</u>	<u>1968</u>	<u>1967</u>
90,635 shares (1967—93,460 shares) 5½% cumulative redeemable, \$1.10 Series	\$1,812,700	\$1,869,200
185,330 shares (1967—190,960 shares) 5½% cumulative redeemable, \$1.10 Second Series	3,706,600	3,819,200
195,150 shares (1967—198,400 shares) 6% cumulative redeemable, \$1.20 Series	3,903,000	3,968,000
	<u>\$9,422,300</u>	<u>\$9,656,400</u>

During the year the company purchased for cancellation 2,825 \$1.10 Series, 5,630 \$1.10 Second Series and 3,250 \$1.20 Series preference shares.

The \$1.10 Series and \$1.10 Second Series preference shares are redeemable at any time at a premium of 40¢ per share if redeemed on or before January 31, 1969 and the \$1.20 Series preference shares are redeemable at any time at a premium of 50¢ per share if redeemed on or before April 30,

1969; after such dates these premiums reduce by 10¢ annually until the shares are redeemable at par.

The company is required on or before May 1 in each year, to set aside in the case of the \$1.10 Series and to provide in the case of the \$1.10 Second Series and the \$1.20 Series, purchase funds for the purchase of such preference shares. The amount of each fund, including the unused balances from amounts previously provided, is not to exceed \$100,000.

8. Common Shares

Purchase warrants are outstanding for 194,404 common shares. Such warrants may be exercised at any time on or before January 30, 1970 at \$8.50 per share.

No common shares were issued during the year and in the prior year 1,850 common shares were issued for \$12,950 on exercise of purchase warrants.

9. Dividend Restrictions

The trust indenture under which the debentures are issued and the conditions attaching to the preference shares contain certain provisions restricting the payment of dividends. At October 31,

1968 approximately \$2,900,000 of retained earnings were free of restrictions under the most stringent of these provisions.

10. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable to the directors and senior officers of the company was as follows:

	<u>1968</u>	<u>1967</u>
By the company	\$ 249,868	\$ 208,383
By Canadian Foundation Company Ltd. to date of sale	55,712	82,050

11. Pension Plan Liability

The unfunded past service liability of the company and its consolidated subsidiary according to independent actuarial estimates made as at October 31, 1968 amounted to \$2,345,000 at that date. This obligation is being satisfied and charged to

operations in the amount of \$190,000 annually. Annual contributions are made and charged to operations in the amounts estimated by the independent actuaries to be sufficient to fund all current costs of the plans.

12. Contingent Liabilities

For contingent liabilities see note 2.

13. Capital Expenditures

Capital expenditures of approximately \$559,000 have been authorized by the directors for the 1969 fiscal year.

SLATER STEEL INDUSTRIES LIMITED

Eight Year Statistical Summary

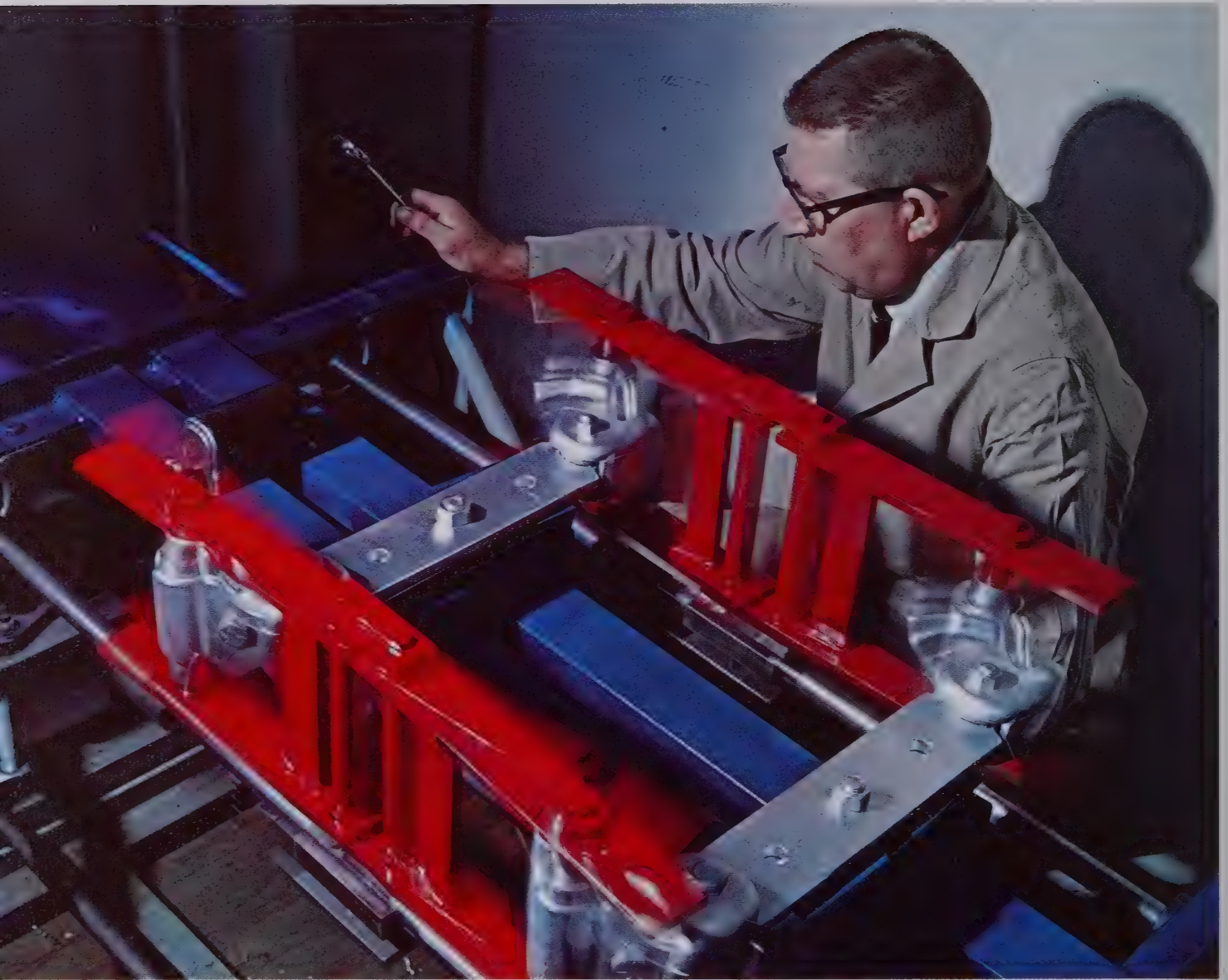
for the years ending October 31st

	1968
<i>INCOME AND RELATED DATA</i>	
Net Sales	\$26,796,965
Depreciation	827,536
Income Taxes	991,000
Net Income (note 1)	4,118,021
Net Income per Common Share (note 2)	1.45
Dividends declared —	
Preference Shares	545,460
Common Shares	1,475,906
Per Common Share (note 2)	.60
<i>FIXED ASSET EXPENDITURES — Net</i>	2,155,088
<i>FINANCIAL POSITION YEAR-END</i>	
Working Capital (Deficiency)	6,255,739
Fixed Assets — net	14,373,561
Total Assets	43,368,489
Common Shareholders' Equity	22,536,706
<i>NUMBER OF EMPLOYEES, YEAR-END</i>	1,232
<i>NUMBER OF SHAREHOLDERS, YEAR-END</i>	7,539

NOTES: 1. Statistics of Burlington Steel Company included from date of amalgamation, February 22, 1962.
2. Adjusted for Common Share splits.

1967	1966	1965	1964	1963	1962	1961
\$26,723,744	\$28,734,691	\$27,428,259	\$24,635,417	\$20,067,553	\$15,106,899	\$ 7,577,405
763,255	758,000	688,541	619,275	501,140	402,367	226,410
1,581,000	2,096,000	1,726,000	1,441,000	889,000	768,000	407,000
3,582,144	2,439,587	2,569,497	1,928,500	1,101,943	699,351	369,784
1.23	0.85	1.13	0.82	0.56	0.32	0.21
556,318	464,311	350,933	309,942	229,988	199,316	115,625
1,475,659	1,401,747	788,478	466,699	233,219	219,550	118,586
.60	.60	.40	.25	.15	.15	.10
2,581,367	811,202	1,611,475	3,014,295	410,485	401,600	190,373
4,984,017	8,699,736	5,429,498	4,899,642	2,820,254	(1,801,882)	(489,117)
13,046,009	11,227,897	11,174,695	10,251,761	7,856,737	7,947,392	2,225,995
50,583,640	42,080,235	31,180,777	29,256,749	24,723,218	23,470,898	9,473,223
20,440,051	18,876,934	12,175,061	10,932,175	7,388,124	6,744,716	3,474,523
1,141	1,328	1,207	1,210	1,105	1,104	537
7,786	7,785	5,446	4,536	3,051	2,965	1,297

N. Slater Company



Wear tests are being conducted on the energy-absorbing media. The photograph shows two vibration suppression devices being tested simultaneously in a machine designed for this purpose. The research programme is being sponsored as a co-operative venture with A.E.C.L. as well as the Department of Industry's programme for the advancement of industrial technology.

The N. Slater Company is currently studying, in co-operation with the Atomic Energy of Canada Limited, problems relating to aeolian vibration and sub-conductor oscillation on A.E.C.L.'s extra high voltage direct current transmission line, which runs some 500 miles from Kettle Rapids on the Nelson River south to Winnipeg, Manitoba. The photograph shows our engineers and technicians working on a specially constructed 375 ft. indoor test line at Slater's Hamilton plant. Measurements are being taken on the conductor to determine the energy-absorbing characteristics of the vibration suppression device shown in the foreground.



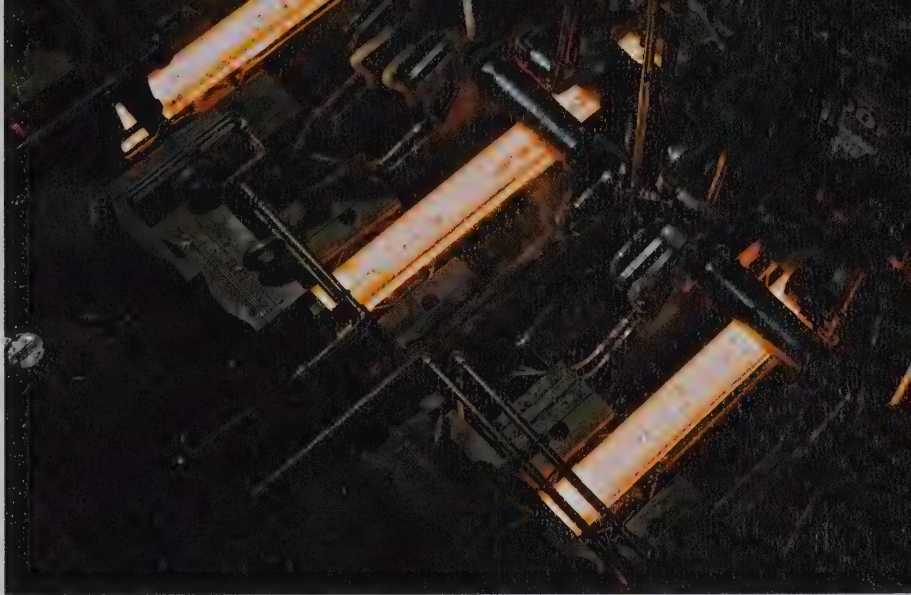
Stamped & Enamelled Ware

A wide range of stampings are manufactured at this Division located in Hespeler, Ontario and are produced on special deep draw and forming presses.



The keynote to accuracy in matching colours is the skill of the craftsman, using the most up-to-date equipment. At Stamped & Enamelled Ware, modern techniques such as this Electronic Spectrophotometer permit us to maintain rigid standards of accuracy, perfectly matching vitreous enamel colours in plumbingware fixtures and appliances.



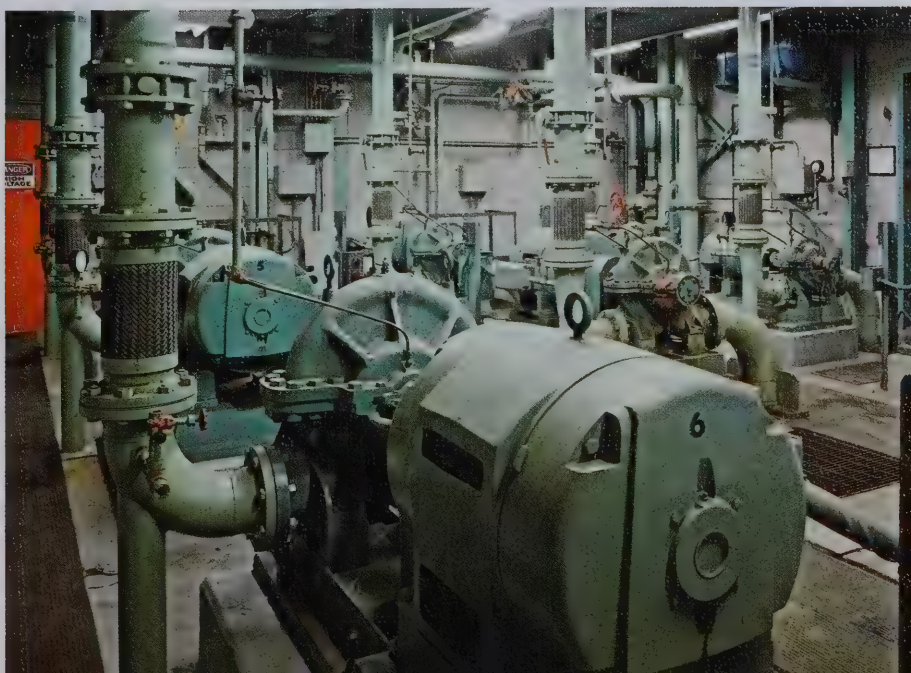


Burlington Steel Company

These pictures show our new three-strand Continuous Casting Machine, which produces billets in specified lengths.

Molten metal, at temperatures in excess of 3000°F., flows into a tundish or splitter box, from which it emerges in three streams, as shown by the picture at left. These streams go into water cooled copper moulds where initial solidification of the steel takes place. On emergence from the moulds, secondary cooling is applied by direct spray water impingement on the billets which are continuously withdrawn by straightener withdrawal units (upper right). The billets are sheared to pre-selected lengths and then are conveyed down the run-out tables (centre right).

The re-circulating water required for cooling both the copper moulds and the billets themselves is provided by a modern pumphouse system (lower right).



SALADA FOODS LTD and Subsidiaries

Consolidated Balance Sheet as at September 30, 1968

Assets	1968	1967
<i>Current</i>		
Cash and short-term deposits	\$ 6,314,792	\$ 1,922,117
Marketable securities — at cost (quoted market value \$632,100)	592,594	592,594
Accounts receivable	5,338,620	6,014,664
Inventories (note 2)	11,057,092	13,325,992
Prepaid expenses (note 4)	750,188	1,272,935*
Special refundable tax	41,488	86,738*
	<u>24,094,774</u>	<u>23,215,040</u>
<i>Investments</i>		
Shares in Jamaican companies (note 1)	847,001	—
Shares of an associated company — at cost	500,400	500,400
Mortgages receivable and sundry investments — at cost	333,751	395,435
	<u>1,681,152</u>	<u>895,835</u>
<i>Land, Buildings, Equipment and Leasehold Interests (note 3)</i>	<u>13,063,776</u>	<u>16,251,400*</u>
<i>Instant Tea Plant (note 4)</i>	<u>1,336,550</u>	<u>956,825*</u>
<i>Excess of Purchase Price of Businesses Acquired Over Net Assets</i>	<u>363,463</u>	<u>1,825,596</u>
	<u>\$40,539,715</u>	<u>\$43,144,696</u>

*Reclassified for comparative purposes

Liabilities	1968	1967
<i>Current</i>		
Bank loans	—	\$ 2,357,512
Accounts payable and accrued liabilities	\$ 6,310,511	7,237,487
Income and other taxes	787,049	426,562
Due to associated company	135,440	50,118
Current instalments on funded debt	764,569	477,233
	<u>7,997,569</u>	<u>10,548,912</u>
<i>Funded Debt</i> (note 5)	<u>5,034,877</u>	<u>5,970,249</u>
<i>Minority Interest in Consolidated Net Assets</i> (note 6)	<u>1,583,421</u>	<u>2,605,379</u>
<i>Shareholders' Equity</i>		
Capital Stock		
Authorized —		
5,000,000 common shares without nominal or par value		
Issued and fully paid —		
2,653,138 common shares (including 2,000 shares issued during the year		
for \$17,600 cash)	8,635,629	8,618,029
Retained Earnings	<u>17,288,219</u>	<u>15,402,127</u>
	<u>25,923,848</u>	<u>24,020,156</u>
Signed on behalf of the Board:	<u>\$40,539,715</u>	<u>\$43,144,696</u>
S. FINGOLD Director		
R. C. BEESON Director		

SALADA FOODS LTD and Subsidiaries

Consolidated Statement of Earnings

for the year ended September 30, 1968

	1968	1967
Gross Sales	\$81,740,645	\$85,521,769
Less: Outward freight, allowances and discounts	5,971,171	6,066,796
Net Sales	75,769,474	79,454,973
Manufacturing, Selling and Administrative Costs	69,886,933	73,428,778
Operating Profit Before the Items Below	5,882,541	6,026,195
Deduct: Provision for depreciation	1,431,494	1,613,656
Interest on funded debt	344,134	382,627
Other interest	283,722	439,666
Directors' remuneration (directors' fees \$16,150)	109,428	114,724
	2,168,778	2,550,673
Investment income	185,259	63,092
Equity in income of 50% owned companies (note 1)	81,402	—
	1,902,117	2,487,581
Earnings from Operations Before Income Taxes	3,980,424	3,538,614
Income Taxes (note 7)	1,420,000	1,070,000
Minority Interest	90,353	181,643
Earnings from Operations	2,470,071	2,286,971
Net Gains on Disposal of Investments and Operating Divisions and from Devaluation of Sterling, after Deducting Minority Interest	477,276	1,180,881
Net Earnings for the Year	<u>\$ 2,947,347</u>	<u>\$ 3,467,852</u>

Consolidated Statement of Retained Earnings

for the year ended September 30, 1968

	1968	1967
Balance at beginning of year	\$15,402,127	\$12,744,730
Net earnings for the year	2,947,347	3,467,852
Reduction in reserve for contingency	—	250,000
	18,349,474	16,462,582
Dividends	1,061,255	1,060,455
Balance at end of year	<u>\$17,288,219</u>	<u>\$15,402,127</u>

Consolidated Statement of Source and Use of Funds

for the year ended September 30, 1968

	1968	1967
<i>Source of Funds</i>		
Net earnings for the year	\$ 2,947,347	\$ 3,467,852
Add: Charge not requiring cash outlay — Depreciation	1,431,494	1,613,656
	<u>4,378,841</u>	<u>5,081,508</u>
Common shares issued	17,600	—
Disposal of operating divisions and subsidiaries	2,994,785	1,099,877
Sale of investments (cost)	61,684	528,411
Minority interest	—	380,579
	<u>7,452,910</u>	<u>7,090,375</u>
<i>Use of Funds</i>		
Additions to fixed assets	1,645,481	2,638,889
Dividends	1,061,255	1,060,455
Reduction in funded debt	935,372	511,265
Excess of purchase price of businesses acquired over net assets	—	419,686
Instant tea plant	379,725	160,407*
	<u>4,021,833</u>	<u>4,790,702</u>
<i>Increase in Working Capital</i>	<u>\$ 3,431,077</u>	<u>\$ 2,299,673</u>

*Reclassified for comparative purposes

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Salada Foods Ltd and subsidiaries as at September 30, 1968 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination of the financial statements of Salada Foods Ltd and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 19, 1968

MCDONALD, CURRIE & CO.,
Chartered Accountants

SALADA FOODS LTD and Subsidiaries

Notes to Consolidated Financial Statements

for the year ended September 30, 1968

1. Basis of Consolidation

The accounts of all subsidiaries have been consolidated. Fixed assets of the United States subsidiaries have been converted to Canadian funds at par, and those of other foreign subsidiaries have been converted to Canadian funds at the exchange rates in effect when they were acquired. Current assets and current liabilities of foreign subsidiaries have been converted to Canadian funds at the exchange rates in effect at September 30, 1968.

The investment in the 50% owned Jamaican companies is carried at cost plus the increase in equity since acquisition. The increase in equity in the current year has been credited to earnings. In 1967 when these companies were subsidiaries, their accounts were included in the consolidation.

2. Inventories

Inventories are valued at the lower of cost and net realizable value and consist in M\$ of:

	1968	1967
	\$	\$
Ingredients and supplies	5,673	6,363
Products — in process and finished	5,384	6,963
	<u>11,057</u>	<u>13,326</u>

3. Fixed Assets

Land, buildings, equipment and leasehold interests and their related accumulated depreciation or amortization are classified in M\$ as follows:

	1968		1967	
	Cost \$	Accumulated depreciation \$	Net after depreciation \$	Net after depreciation \$
Land	1,413	—	1,413	1,839
Land improvements ...	1,149	101	1,048	1,326
Buildings	6,282	1,770	4,512	5,436
Equipment	15,049	9,650	5,399	6,918
Leasehold interests	2,419	1,727	692	732
	<u>26,312</u>	<u>13,248</u>	<u>13,064</u>	<u>16,251</u>

4. Instant Tea Plant

	1968	1967
	\$	\$
The accumulated costs comprise:		
Land and land improvements	6,654	6,654
Plant and equipment	886,211	789,764
Start-up costs	443,685	160,407
	<u>1,336,550</u>	<u>956,825</u>

Start-up costs will be amortized and plant and equipment will be depreciated when production of commercial quantities of instant tea commences. It is expected that this will occur early in 1969. At September 30, 1967, deferred start-up costs were

included in prepaid expenses. These have been reclassified for comparative purposes.

5. Funded Debt

	\$
Funded debt consists of the following:	
5% sinking fund debentures, maturing December 15, 1975 — \$37,000 payable in 1969, increasing annually to \$90,000 in 1974	1,052,000
6% sinking fund debentures, maturing July 1, 1977 — \$241,000 payable in 1969, increasing annually to \$494,000 in 1976	4,072,000
Sundry notes and mortgages	675,446
	<u>5,799,446</u>
Less: Current instalments	<u>764,569</u>
	<u>5,034,877</u>

6. Minority Interest

Preference shares of Canadian Food Products Limited, a subsidiary, are included in minority interest on the consolidated balance sheet. This subsidiary has certain obligations to purchase these shares for cancellation or to redeem them at a premium.

7. Income Taxes

Income taxes have been calculated after claiming maximum capital cost allowance, which is in excess of depreciation recorded in the accounts by \$327,000. As a result the total taxes otherwise payable for the year have been reduced by \$177,000 while the net accumulated reductions to date amount to \$1,300,000.

8. Leases

A lease with an associated company requires Salada Foods Ltd to pay all such company's expenses, and all amounts falling due in each year on its first mortgage bonds. The net expenses in the years ended September 30, 1968 and 1967 were \$384,015 and \$380,177 respectively. \$1,693,000 of the first mortgage bonds were outstanding at September 30, 1968 of which \$30,000 are due on February 1, 1969. The lease expires on February 1, 1981.

Minimum rentals under lease agreements of subsidiaries which extend for more than five years from September 30, 1968 aggregate approximately:

	\$
1969 - 1973	2,707,000
1974 - 1978	1,970,000
1979 - 1983	937,000
1984 - 1988	264,000
1989 and after	940,000

9. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the company and its subsidiaries to the directors and senior officers amounts to \$283,761.



Part of the marketing strategy this year was directed toward the development of new products and effective new package designs for established lines. The new products have been well received and plans call for a continuing intensified program in new product development. Also a number of the Company's long-time favourite brands have been introduced in more colourful and attractive packages as shown on this page. The acceptance of these innovations has been highly favourable and reflects this Company's constant efforts to maintain its growth pattern and position of leadership in the food industry.

